

**ANNUAL REPORT FOR 2018
OF THE SUPERVISORY BOARD OF
GLOBE TRADE CENTRE S.A.**

March 2019

1. Legal basis for the report

This report (the “**Report**”) has been prepared and adopted by the Supervisory Board of Globe Trade Centre S.A., with its registered seat in Warsaw, Poland (the “**Company**” or “**GTC**”), (the “**Supervisory Board**”), pursuant to Article 382 § 3 of the Polish Commercial Companies Code and is addressed to the general meeting of the Company (the “**General Meeting**”).

The purpose of the Report is also to ensure compliance with Rules II.Z.10.1 – II.Z.10.4 of the 2016 Code of Best Practices of WSE Listed Companies.

2. The composition of the Supervisory Board

In 2018, the composition of the Supervisory Board of the Company was as follows:

Name and surname	Position within the Supervisory Board	Period in 2018 during which the given member served on the Supervisory Board
Alexander Hesse	Chairman	1 January – 31 December
Olivier Brahin	Member	23 February – 31 December
Philippe Couturier	Member	1 January – 30 July 4 September – 17 December
Jan Düdden	Member	1 January – 31 December
Mariusz Grendowicz	Member	1 January – 31 December
Patrick Haerle	Member	21 December – 31 December
Ryszard Koper	Independent Member	1 January – 31 December
Marcin Murawski	Independent Member	1 January – 31 December
Katharina Schade	Member	1 January – 31 December
Ryszard Wawryniewicz	Member	1 January – 11 July 30 October – 31 December

During 2018, the following changes in the composition of the supervisory board took place:

- On 23 February 2018, the GTC Dutch Holdings B.V appointed Mr. Olivier Brahin as a member of the supervisory board of the Company, effective immediately (see current report no 2/2018);
- on 11 July 2018, the mandate of Mr. Ryszard Wawryniewicz as a Supervisory Board expired pursuant to Article 9 point 2 of the Company's Articles of Association (see current report no 16/2018);
- on 30 July 2018, the mandate of Mr. Alexander Hesse, Mr. Olivier Brahin, Mrs. Katharina Schade, MR. Philippe Couturier and Mr. Jan-Christoph Düdden as a Supervisory Board expired pursuant to Article 9 point 2 of the Company's Articles of Association (see current report no 21/2018);
- on 30 July 2018, the GTC Dutch Holdings B.V appointed Mr. Alexander Hesse, Mr. Olivier Brahin, Mrs. Katharina Schade, and Mr. Jan-Christoph Düdden as a members of the supervisory board of the Company, effective immediately (see current report no 21/2018);

- on 4 September 2018, the GTC Dutch Holdings B.V appointed Mr. Philippe Couturier as a member of the supervisory board of the Company, effective immediately (see current report no 22/2018);
- on 30 October 2018, Otwarty Fundusz Emerytalny PZU “Złota Jesień” appointed Ryszard Wawryniewicz to the Company’s Supervisory Board, effective on 29 October 2018 (see current report no 25/2018);
- on 17 December 2018, Philippe Couturier submitted his resignations from position of a member of the Supervisory Board of the Company with immediate effect. (see current report no 26/2018);
- on 21 December 2018, the GTC Dutch Holdings B.V appointed Mr. Patrick Haerle as a member of the supervisory board of the Company, effective immediately (see current report no 27/2018).

3. Activities of the Supervisory Board

The Supervisory Board operates in compliance with the Polish Commercial Companies Code as well as on the basis of the Company’s statute and the by-laws of the Supervisory Board dated 14 April 2005 with the changes introduced by the Shareholders Meeting on 16 May 2017. The Supervisory also reviewed the financial position of the Group and evaluated its debt situation and sources of financing, including review of the Polish bonds market as one of the sources for finance.

The Supervisory Board of GTC exercised supervision over and evaluated the operations of the Company and its financial statements. The Supervisory Board reviewed issues related to the current operations of the Company and adopted resolutions regarding matters related to the Company’s activities and also those required under the regulations of the Polish Commercial Companies Code, the Company’s statute and the by-laws of the Supervisory Board.

In 2018, five Supervisory Board meetings were held. The Supervisory Board adopted numerous resolutions related to the current operations of GTC. The meetings of the Supervisory Board were attended by members of the Company’s management board, invited guests (including, specifically, representatives of E&Y, which was mandated to review the financial statements of the Company and the capital group of the Company (the “**Capital Group**” or “**GTC Group**”) and Polska Grupa Audytorska sp. z o.o. (Internal Auditor). The Supervisory Board was also continuously updated by the management board in respect of the most important events affecting the Company.

In 2018, the most important resolutions adopted by the Supervisory Board related to, among others:

- the issuance of a positive opinion in respect of GTC’s financial statements and the consolidated financial statements of GTC’s capital group for the 2017 financial year;
- the approval of the Management Board’s proposal related to the division of profit for the financial year 2017;
- the approval of the financing of Belgrade Business Center in Serbia;
- the approval of the bond issuance programme not exceeding EUR 150 million;
- the approval of the construction, completion and financing of Advance Business Center in Sofia – phase 1,
- the approval of acquisition of 100% shares in Mall of Sofia shopping center and office and financing;
- the approval of refinancing the existing loan related to the White House Project in Budapest;

The Supervisory Board also dealt with the following issues:

- the evaluation of the financial position and the financial results of the Company and the Capital Group after each quarter of 2018;
- the evaluation of the 2018 budget and its utilisation;
- the assessment of the progress of developed projects and new investments;

The Supervisory Board also monitored selected business risks of the Capital Group and evaluated the methods that the Company uses to control and protect itself from risk.

4. Evaluation of the work of the Supervisory Board in 2018

The Supervisory Board has a positive opinion of its work in 2018. While performing its duties, the Supervisory Board acted in compliance with the law and, specifically, within the scope of the competencies defined by the Polish Commercial Companies Code, the Statute of the Company and the by-laws of the Supervisory Board.

The Supervisory Board consists of individuals with extensive experience, which allows them to make a thorough and accurate analysis of the Company's plans and the implementation thereof. The Supervisory Board supports the management board in the making of all the strategic decisions related to the business of GTC.

5. Evaluation of the work of the committees of the Supervisory Board in 2018

Audit Committee

The objective of the audit committee of the Supervisory Board (the "**Audit Committee**") is to evaluate the administrative financial control, financial reporting, and the external and internal auditing of the Company and the companies within the Capital Group, as well as to provide the Supervisory Board with opinions in that respect.

In 2018, the Audit Committee consisted of the following members of the Supervisory Board: Marcin Murawski, Mariusz Grendowicz and Ryszard Koper. The members of the Audit Committee actively participated in the quarterly meetings of the Audit Committee. All of the members of the Audit Committee are qualified in accounting and auditing. According to their statements presented to the management board, both Marcin Murawski and Ryszard Koper, fulfil the independence criteria.

The most important duties of the Audit Committee include, among other things: the evaluation of the current financial results of the Company, its liquidity, the level of its debts and receivables, the financing of projects and the monitoring of the accuracy of financial statements. The Audit Committee also evaluates the internal control and risk management systems material to the Company.

In 2018, four Audit Committee meetings were held (on 20 March, 17 May, 22 August and 13 November). The representatives of E&Y (the entity mandated to review the financial statements of the Company and the Capital Group) participated in the relevant meetings of the Audit Committee.

The Audit Committee reviewed all of the financial statements of the Company and the Capital Group prior to their publication and recommended the approval thereof by the Supervisory Board.

The Audit Committee and the Supervisory Board discussed internal control matters, risk management issues and key compliance issues during its meetings in 2018.

During 2018, the audit committee selected in the offering process, the internal audit firm (Polska Grupa Audytorska sp. z o.o.) to conduct the internal audit duties within the Group.

The Audit Committee evaluated and confirmed the prolongation of the engagement of E&Y as external auditor.

The Audit Committee continuously monitored the financial reporting process and the statutory auditing process in the Company and reported regularly to the Supervisory Board the results of these monitoring activities.

Remuneration Committee

On 12 May 2014, the Supervisory Board established the Remuneration Committee of the Supervisory Board, which has no decision-making authority and which is responsible for making recommendations to the Supervisory Board with respect to the remuneration of the members of the management board and the policies for determining such remuneration.

In 2018, the Remuneration Committee consisted of the following members of the Supervisory Board: Alexander Hesse, Marcin Murawski and Mariusz Grendowicz. According to his statement presented to the management board, Marcin Murawski fulfils the independence criteria.

In 2018, one Remuneration Committee meeting were held on 20 March 2018 during which the Remuneration Committee recommended to the Supervisory Board the annual bonuses for the management board members.

6. The assessment of the manner in which the company fulfils the disclosure obligations concerning the application of the corporate governance rules specified in the WSE Rules and the provisions governing current and interim information disclosed by issuers of securities

In the opinion of the Supervisory Board, in 2018 the Company fulfilled all the disclosure obligations concerning the application of the corporate governance rules specified in the WSE Rules and the provisions governing current and interim information disclosed by issuers of securities.

7. Information on the rationale behind the Company's policy on sponsorship, charity and other similar activities

The Group actively pursue the policies adopted by them which envisage supporting local communities that reside within or in close proximity of the areas where the Group's investments are situated. Such support involves:

- Enhancement of local infrastructure, including road and traffic infrastructure. The infrastructure created in connection with or for the purposes of the developments constructed is handed over to the local self-government free of charge to be used by all residents. Moreover, prior to the development of the Group's projects, public green areas (such as squares and parks) are placed on undeveloped plots or plots which will surround future developments following their completion by the Group.
- Sponsoring local initiatives. The Group participates in and supports local initiatives (such as the "Bieg przez Most" 10 km run; run due to the 100th anniversary of regaining independence of Poland ; partnership of Family Bicycle Race; beach volleyball tournament - Cup of Silesia; foundations education stands: WWF, DKMS, organizations collecting 1% tax in Poland; mobile blood donation station, host of local WOŚP headquarters; flash mob due to the 100th anniversary of regaining independence of Poland; World Day of Autism – workshops for parents; Bulwary Juraskiej - renovation of a recreation area by the river).
- Embracing environmental certification. Out of concern for the environment, the investments of the Company and the Group are fully compliant with LEED or BREEAM guidelines.

The Supervisory Board positively assesses the rationale behind and the implementation of the above-described policies of the Company and of the Group.

8. Overview of the operations of the Company

Key developments and factors affecting the financial and operating results of the Capital Group in 2018

Following a review of the operations of the Capital Group, the Supervisory Board is of the opinion that the operations of GTC that were of key importance in 2018 included the following.

On 30 July 2018, LSREF III GTC Investments B.V. contributed its shares in the Company (constituting 61.75% of the Company's share capital) in kind to its wholly-owned (100%) subsidiary, GTC Dutch Holdings B.V.

Completion of investments

In March 2018, GTC Group has completed the renovation of two office buildings (Green Heart) in Belgrade.

In June 2018, GTC Group has completed the construction of GTC White House office building in Budapest.

Issuance of bonds and refinance

In December 2017, the Group refinanced Avenue Mall, Zagreb. The total loan amounted to EUR 50 million. The proceeds from refinance were received in January 2018.

In March 2018, the Company issued 3-year Euro denominated bonds, listed on WSE in the total amount of EUR 20.5 million.

In April 2018, the Group refinanced 19 Avenue office building in Belgrade. The total loan amounted to EUR 24 million.

In June 2018, the Group financed Belgrade Business Center office building in Belgrade with a bank loan. The total loan amounts to EUR 23 million.

In August 2018, Globis Wroclaw and Santander Bank signed a new loan agreement.

On 31 October 2018, the Group fully repaid the bank loan granted to Artico by mBank in the amount of EUR 13 million.

In December 2018, Artico and PKO BP signed a new loan agreement. The total loan amounted EUR 14.5 million was drawn in January 2019.

In December 2018, the Group and Raiffeisen Bank signed an agreement to refinance Forty one office complex in Belgrade. The Group will fully repay the existing bank loan in the amount of EUR 26 million, and draw a new loan amounted EUR 40 million.

Acquisition of subsidiary/assets

On 31 May 2018, the Company acquired a Bulgarian company, which owned a shopping mall and adjacent office building located in Sofia (Mall of Sofia), Bulgaria. Mall of Sofia provides 22,400 sq m of retail space and 10,300 sq m of office space. The purchase price of the shares amounted to EUR 39 million. Simultaneously, the Bulgarian company entered into a loan agreement with OTP BANK PLC and DSK BANK EAD. The banks granted a loan related to the Mall of Sofia in the amount of EUR 61.4 million.

In September 2018, the Group acquired a land plot and an old office building adjacent Centre Point office building in Budapest for a total amount of EUR 16.5 million. The office building has leasable area of 6,000 sq m. The Group plans to demolish the building and develop an office building with a leasable area of 35,500 sq m.

Distribution of dividend

In May 2018, the Company's shareholders adopted a resolution regarding distribution of dividend in the amount of PLN 155.2 million (EUR 36.2 million), PLN 0.33 per share, and allowing the Company's shareholders to elect to receive the dividend in the form of newly issued shares instead of cash.

In June 2018, the Company issued 13,233,492 series M Shares to the Company's shareholders who elected to receive the dividend in shares (EUR 26.5 million), and paid dividend in the amount of EUR 9.7 million to the remaining shareholders.

Sale of investment

In February 2019, the Group signed a term sheet for the sale of White House office building in Budapest. Accordingly, as of 31 December 2018, the asset is presented within the assets held for sale, with a total fair value of EUR 70 million.

Selected financial data

Below is the most important data concerning the consolidated results achieved by the Capital Group in 2018.

- The revenues from the operations of the Capital Group amounted to EUR 153,961 thousand, compared to EUR 128,737 thousand in 2017.
- The profit for the year of the Capital Group amounted to EUR 92,020 thousand, compared to EUR 156,598 thousand in 2017.
- The total investment property of the Capital Group amounted to EUR 2,113,068 thousand, compared to EUR 1,936,841 thousand in 2017.

- The total equity of the Capital Group amounted to EUR 1,020,795 thousand, compared to EUR 941,262 thousand in 2017.
- The Capital Group's loan-to-value ratio amounted to 45% as at 31 December 2018 in comparison to 42% as at 31 December 2017, whereas the Group's strategy is to keep its loan-to-value ratio at the level of approximately 50%.

9. Evaluation of the internal control, internal audit, compliance and risk management systems

During 2018, the Audit Committee participated in the development and implementation of an internal control system, risk management and internal audits as outlined below.

Internal Control System

The Management Board is responsible for the Company's internal control system and for ensuring its effectiveness. The Management Board regularly reports on the internal control system to the Audit Committee and the Supervisory Board. During the reference period, the following items were covered during Audit Committee and/or Supervisory Board meetings:

- a) the Internal Control universe presented by an external Internal Auditor for the purpose of audit planning during the Audit Committee meetings;
- b) the presentation of the Internal Audit work performed during 2018;
- c) financial reports (at each of the Audit Committee and Supervisory Board meetings); and
- d) the review and approval of the audited financial statements (in respect of the audited financial statements for the financial year ended 31 December 2018).

Risk Management

The function of Risk Management is not established in the Company as a separate function, but it is performed by the Management Board with the substantial involvement of the Management Board member responsible for financial matters (the Chief Financial Officer). On a quarterly basis, in its periodic quarterly reports to the Supervisory Board, the Management Board reports to the Audit Committee and to the Supervisory Board on risk-related issues, including:

- liquidity risk;
- portfolio concentration risk;
- property overview;
- occupancy ratios;
- yield developments;
- the progress of and issues concerning individual projects (including project delays, if any);
- taxation issues;
- debt ratios;
- financing structure risks; and
- budget execution.

The above-referenced reports were provided for each quarter of the reference period and are included in the minutes of the respective Audit Committee and Supervisory Board meetings.

Internal Audit

The Audit Committee, the Management Board of the Company and the independent Internal Audit firm all have distinct roles with respect to the Internal Audit function of the Company.

The Company engages the Internal Audit firm based on the recommendations of the Audit Committee and following a thorough selection process.

The Internal Audit firm reports directly to the Audit Committee. The Internal Audit firm presents its audit plan and audit recommendations to the Audit Committee on a regular basis. All internal audit-related matters are regularly discussed at the Audit Committee meetings.

Audit Committee and Supervisory Board monitored and assessed the effectiveness of the Internal Audit company and in effect of this monitoring the Internal Audit company was changed during 2018.

Based on information received and reviewed by the Audit Committee and Supervisory Board members, in the opinion of the Supervisory Board, the internal control and risk management systems material to the Company are maintained at appropriate levels.

10. Review of the report of the management board on the activities of the Company in the 2018 financial year, the financial statements of the Company for the 2018 financial year and the proposal of the management board concerning the division of profit generated by the Company in the 2018 financial year

The Company's Supervisory Board reviewed the stand-alone financial statements of the Company, which included:

- the statement of financial position as at 31 December 2018;
- the income statement for the year ended 31 December 2018;
- the statement of comprehensive income for the year ended 31 December 2018;
- the statement of changes in equity for the year ended 31 December 2018;
- the statement of cash flows for the year ended 31 December 2018; and
- the notes to the stand-alone financial statements for the year ended 31 December 2018,

as well as the consolidated financial statements of the Capital Group for the year ended 31 December 2018, which included:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of comprehensive income for the year ended 31 December 2018;
- the consolidated statement of changes in equity for the year ended 31 December 2018;
- the consolidated statement of cash flows for the year ended 31 December 2018; and
- the notes to the consolidated financial statements for the year ended 31 December 2018,

and reviewed the opinion and the report on the audit of such statements conducted by independent statutory auditor E&Y Audit sp. z o.o., with its registered seat in Warsaw.

The Supervisory Board also reviewed the management board report on the activities of the Company for 2018 and the management board report on the activities of the Capital Group for 2018.

As a result of its evaluation, the Supervisory Board found that the above-mentioned statements and reports were prepared:

- in such a way that they truly and fairly reflect the results of the respective economic activities of the Capital Group and of the Company in 2018 as well as their respective financial positions as at 31 December 2018; and
- in accordance with the legal regulations governing the preparation of financial statements in respect of form and content, as well as in accordance with the International Financial Reporting Standards as adopted by the European Union.

Based on the results of this review and on the positive opinion issued by E & Y Audit Sp. z o.o. on 20 March 2019 on the financial statements for 2018 and on the consolidated financial statements for 2017, the Supervisory Board recommends that the General Meeting approves:

- the stand-alone financial statements of the Company for 2018;
- the consolidated financial statements of the Capital Group for 2018;
- the report of the management board on the Company's operations in 2018;
- the report of the management board on the operations of the Capital Group in 2018; and
- the proposal of the management board regarding the allocation of profit generated by the Company in 2018.

Furthermore, the Supervisory Board, after having reviewed the recommendation of the management board regarding the allocation of profit of PLN 389,399 thousand generated by the Company in 2018 including a potential dividend (subject to General Meeting resolution) as well as offering the shareholders the possibility to elect to receive new shares in GTC in lieu of dividend, wishes to issue

a positive opinion in respect thereof and recommend that the General Meeting adopts a relevant resolution regarding the division of such profit in the manner presented above.

In submitting this report, the Supervisory Board requests that all of its current and former members be acknowledged as having properly performed their duties in the 2018 financial year.